

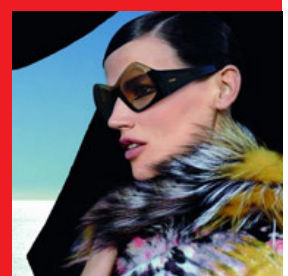
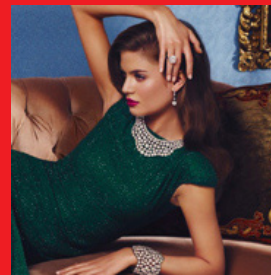
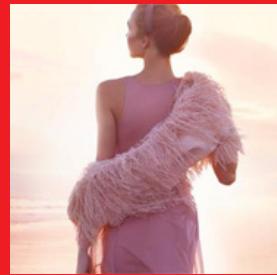
Luxury Daily™

THE NEWS LEADER IN LUXURY MARKETING

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A CLASSIC GUIDE
September 2013
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Classic Guide to Luxury Marketing



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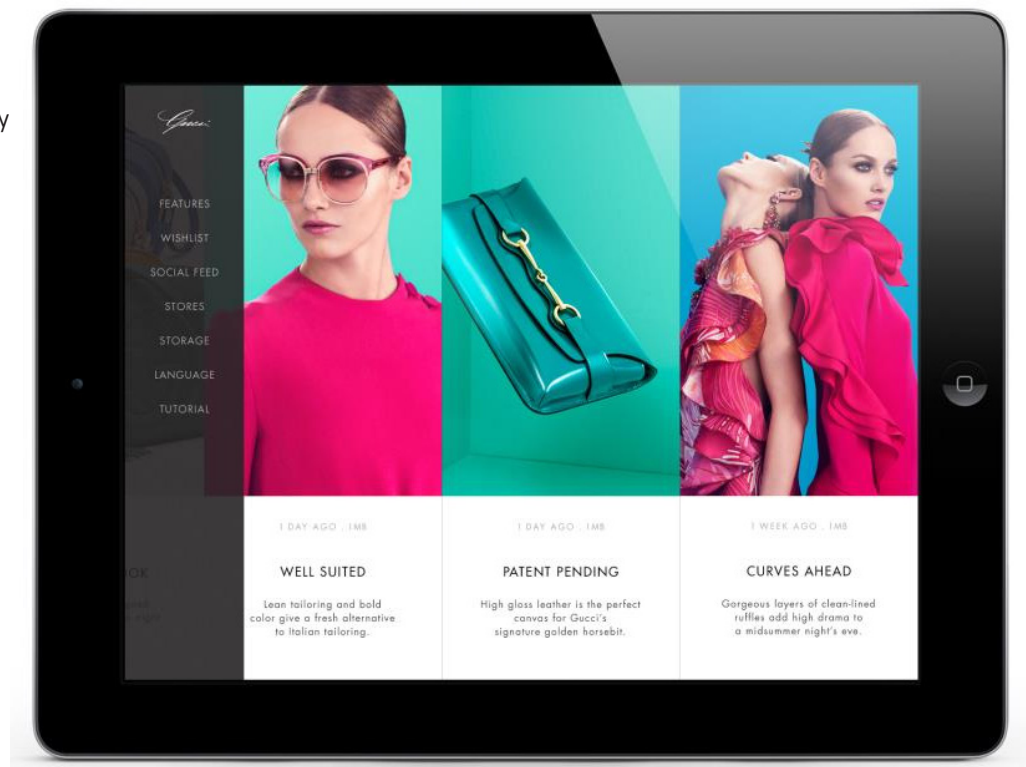
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Focused marketing continues to drive desire for luxury

While the global economy is going through ups and downs – trouble with the BRICS, marginal recovery in parts of the EU and regained consumer fervor in the United States – luxury brands and retailers have managed to hold their own and even grow.

One of the contributing factors toward this luxury resilience is sound marketing built on a foundation of strong brand values, continued stoking of audience desire and consumer engagement in the channels and mediums that matter.

Yet, every now and then, even the more experienced luxury professionals seek marketing counsel from veterans, which is what this second Classic Guide to Luxury Marketing is designed to do: offer tactical, strategic and executional best-practice tips for multichannel marketing.

Expert tips

In this mix of opinion pieces, Q&As and reports from Luxury Daily team members, readers will find valuable advice on disparate topics such as print advertising's role in the product as hero, social and mobile's role as disruptors and the clever art of storytelling.

Also included are discussions on how affluent consumers are less loyal as they grow more informed, tips to handle the show-rooming phenomenon, the lack of an omnichannel focus and why bloggers are key players. A must-read Q&A is on how focus is an important ingredient in a luxury brand's success.

A big thank-you to industry experts such as Unity Marketing's Pam Danziger, Affluent Insights' Chris Ramey, Plastic Mobile's Melody Adhami, SapientNitro's Chris Cobb and ShopIgniter's Marko Z. Mueller.



Christian Dior's Secret Garden campaign

Many thanks also to Ries & Ries' Al Ries, iProspect's Andrea Wilson, Digital Brand Architects' Karen Robinovitz, Morpheus Media's Shenan Reed and Siegel + Gale's Elspeth Ross. Please reach out to these contributors and tap their expertise in luxury marketing and retail.

Finally, thank you to Tricia Carr for laying out the book and to Erin Shea as well – they played a key role in this publication's coverage of luxury marketing and retail. The Classic Guides are part of Luxury Daily's repertoire of luxury-focused media offerings, including the daily newsletter edition as well as annual conferences such as Luxury FirstLook, Luxury Roundtable and the Luxury Retail Summit.

Please read this guide cover to cover. It is designed to help smart luxury marketers get smarter.

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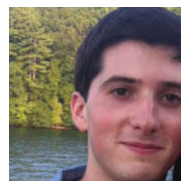
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Does technology belong in-store?

By Tricia Carr

Department stores and boutiques are where luxury marketers can present collections in a physical, traditional sense, but technology should be added in some instances to show brand innovation.

Now that ecommerce and mobile commerce are being used by more affluent shoppers, the in-store setting could be considered the outdated path to purchase. But in reality, stores remain to be a driver of sales and luxury marketers must add technology that makes the physical shopping experience relevant and desirable to wealthy consumers.

"The store does not lie," said Alexandre Meerson, managing partner at La Boutique de Luxe, Paris. "It is entirely about people and product – product discovery, touch, experience and expertise – and all of this conveyed to customers by passionate, trained, empathic and helpful brand sales representative.

"The store is also the place where surprise and delight reaches the maximum effect," he said. "Most luxury brands acknowledge this and are going back to basics, such as designing new sales ceremonies that focus on their personality and value across all touch points, training sales representatives and deploying new CRM tactics to re-engage directly with their customers."

Be our guest

Retail locations welcome consumers to experience and purchase from a luxury brand in ways that are not offered via digital.

The most prominent added value in bricks-and-mortar is the customer experience, or simply, customer service, per Courtney Albert, management consultant at Parker Avery Group, Atlanta.

Ecommerce works for luxury brands because shoppers can go at their own pace, access customer reviews and suggested products and have a private shopping experience.

Yet, face-to-face interactions between a customer and a sales associate are what drive loyalty.

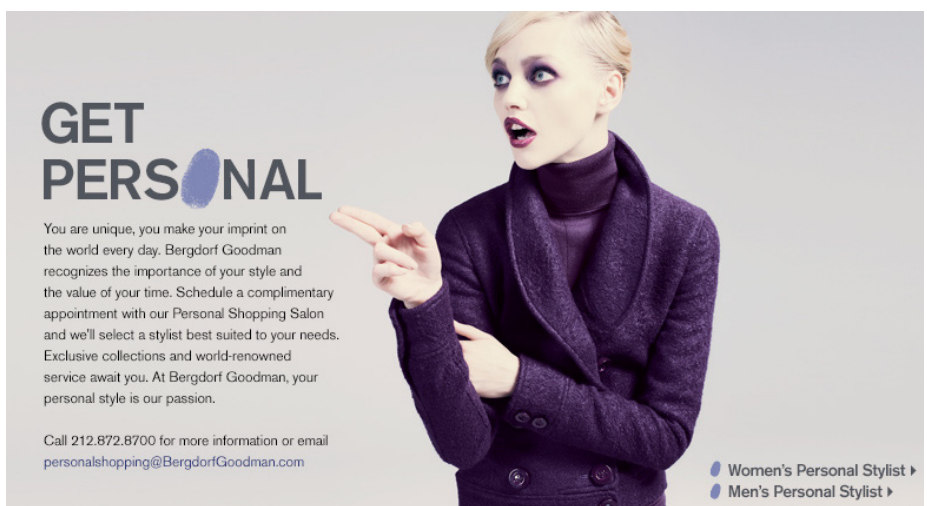
"To illustrate, think about the sales associate who is able to make recommendations not from only past purchases, but from past conversations," Ms. Albert said.

"Who remembers that you like solids over prints and has a glass of Champagne waiting for you in the dressing room?" she said.

"You not only become more loyal to that brand, but to the relationship that has been created."

At the same time, luxury marketers must also realize that affluent consumers do extensive research before they enter the store, per La Boutique de Luxe's Mr. Meerson.

Consumers constantly go back-and-forth between physical and digital brand channels.



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Luxury marketers that present tools for consumers to check item availability, reserve a product for store pick-up, contact a familiar sales associate or private shopper and access their loyalty account will seamlessly link their in-store and digital commerce channels to keep both alive.

"The last few years were intense times of do-it-yourself digital retail when gimmicks were presented as innovations," Mr. Meerson said.

"Today, the priority is to acknowledge that in-store clients inform their decisions online," he said.



Burberry's Smart Personalization technology

Technologically inclined

The store should represent the 360-degree brand experience, so luxury marketers need to incorporate technology if it is used in other parts of their marketing, Parker Avery's Ms. Albert said.

A pioneer in luxury marketing, Burberry introduced its new Smart Personalization technology during the first quarter of 2013.

The made-to-order service offers custom outerwear and bags with engraved personalized nameplates that have a built-in technology, which allows them to unlock video footage.

Customers can also choose to have their nameplates trigger videos on large-scale mirrors at the London flagship store on Regent Street, connecting the product, mobile and in-store experiences.

Luxury marketers can also place digital content throughout the store such as videos from current marketing campaigns and product demonstrations to engage shoppers.

Tablets have been used in-store by some luxury marketers to offer extended inventory and other services.

"I believe the store is a place for technology, especially with an omnichannel strategy," Ms. Albert said. "This creates a more interactive experience for those customers who rely on technology, online and mobile channels, or who appreciate discovering on their own," she said. ■

Best-practice tips

- Technology adds value to the bricks-and-mortar experience if it enhances customer service
- Sales associates can keep in-store shopping alive for luxury brands with personal recommendations, service and mobile technologies
- If technology is used in some parts of the brand experience, it should be used in-store

Print advertising should position product as hero

By Erin Shea

The product should be the centerpiece of a luxury brand's print advertising strategy so that it can remain distinguished from others in the traditional media landscape.

Print ads can easily blend together since many luxury advertisers focus on the imagery, people or attitude that the ad is conveying, and not the product. The luxury brand ads that stand out are those that pull the focus back to their products.

"Luxury ads are infamous for not being able to tell what it is unless you read the name of the product," said Milton Pedraza, CEO of The Luxury Institute, New York.

"In the absence of the product-is-hero approach, advertisers are just selling imagery," he said. "That does not sell a lot since this could be any luxury brand."

"Some of the best performing luxury ads feature the product as the hero, not the people."

Remaining relevant

Today, print advertising is still a relevant tool for luxury brands since the visual experience is a large part of their marketing.

"Print remains an effective medium for luxury because it's something we can hold, touch and remember," said Leane Brenes, creative director at Brenes Co., New York.

"Luxury marketing is different in the way it approaches the consumer, both creatively and strategically," she said.

Stimulating visuals elicit emotions in consumers to purchase certain products.

Luxury marketers should aim to produce ads that drive that emotional impulse and the need to have a certain product.

"Print remains an effective medium for luxury because it's something we can hold, touch and remember"

Only when that impulse is triggered and the purchase is made will the print advertising become successful.

"High production value is important, but an idea has to be exciting and interesting to be truly original and effective," Ms. Brenes said.

"Getting an ad to stand-out physically is also a key point of differentiation that luxury marketers tend to invest in," she said.

Although print is important to the 360-degree brand strategy, some luxury marketers are putting more weight on targeting affluent consumers in a more cost-efficient manner, per Luxury Institute's Mr. Pedraza.

But luxury marketers have not yet abandoned print advertising altogether.

"They are not at the point where they are walking away from print since that glossy, rich feel of a magazine is hard to beat," Mr. Pedraza said.

"They are looking for other ways to get their brand imagery and their brand story out [to consumers]," he said.

Leaders of the pack

Some luxury marketers have found ways to stand out from the rest in their seasonal print advertising efforts.

For instance, Ralph Lauren dominated the very first pages



Ralph Lauren spring/summer print campaign

of spring's fashion magazines with advertisements for its men's and women's collection.

The ads were typically a two-page spread, with at least one page devoted to the product.

"Ralph Lauren tends to be extremely good at showing product," Mr. Pedraza said. "They show the product as the hero of the ad when other brands focus on the people.

"In research that we've done over the past year, the ads that are cited by consumers are the ones that feature the product as the hero, instead of featuring people," he said.

Additionally, Richemont's Cartier looked to stand out in the jewelry category with its holiday print campaign.

The French jeweler reinvented its use of the panther while still keeping the focus on the product.

Cartier took out print ads in major publications for its Winter Tale campaign and to promote its Tank Anglaise watch next to young panthers.

"Cartier's branding is some of the best in the luxury market today," Brenes Co.'s Ms. Brenes said. "They have proven that a brand can stay true to its roots, while being relevant and current.

"This past year, Cartier's campaign 'L'Odyssée de Cartier' was across all channels," she said.

"The campaign reengaged the audience with a fresh new take on the panther."

Effective print campaigns such as Cartier's will also drive consumers to experience the brand on other channels.

"Print can drive traffic not only to brick-and-mortar stores, but also to digital storefronts where a brand can come alive even more with rich media," Ms. Brenes said. ■

Best-practice tips

- Print advertising should inspire consumers to purchase a product
- Advertising campaigns that are cited most by consumers are those that feature products instead of people
- Luxury marketers have not yet abandoned print advertising for more cost-effective tactics because there is no other medium that matches the print experience

Growth to be result of stepping out of luxury brand's comfort zone

A Q&A with Unity Marketing's Pam Danziger

Luxury brands must turn to new tactics to generate sales such as tapping new consumer segments, experimenting with new marketing messages and expanding to new product categories.

Reinvention can drive luxury marketers' success today, but these efforts must be balanced with traditional consumer targeting methods that have worked in the past. While there are two groups that luxury marketers must target – the new generation of young, affluent consumers and older, wealthy consumers – the core luxury buyer values lasting quality over all else.

"It just is not enough anymore to have a storied brand name like Louis Vuitton," said Pam Danziger, president of Unity Marketing, Stephens, PA.

"Luxury brands have to deliver important values to their affluent customers who have the means to purchase across a wide range of choices," she said.

In this Q&A, Ms. Danziger discusses how even ultra-wealthy consumers must be convinced to purchase luxury, the value proposition that brands must offer and the new normal in the luxury market. Here is the dialogue:

In what areas of marketing have luxury brands and retailers been successful so far this year to reach their target audience?

Restraint and caution are the watchwords for luxury marketers in 2013, based upon Unity Marketing's latest survey of luxury consumer confidence and expectations for future spending.

In the survey conducted April 9-15, 2013 among 1,269 luxury goods and services consumers in the top 20 percent of U.S. households with an average income of \$264,300, we found the average amount consumers spent on luxuries in the first quarter 2013 was at its lowest level seen in the last two years.

Even more troubling is that the typically high-spending, ultra-affluent segment – the top 2 percent of U.S. households by income, starting at \$250,000 – were primarily responsible for the overall 20 percent decline in spending.



The HENRYs, high earners not rich yet, with incomes between \$100,000-\$249,999, on the other hand, spent slightly more in the first quarter than they did in the fourth quarter of 2012.

A pull-back in luxury spending will be especially challenging for heritage luxury brands such as Louis Vuitton, as compared with more accessible and affordable premium brands such as Michael Kors or Coach, which has recently reached out to expand its target market to men through a new product initiative.

Coach saw an obvious opportunity in the men's leather goods category. By creating new products designed for today's younger professional man, the company is expected to grow a \$100 million business two years ago to over \$600 million this year.

What should luxury marketers keep in mind to aim for their core customers rather than the masses?

Luxury marketers will need to innovate in the current, stalled luxury market.

To generate growth, they need to tap new customer segments, deliver new marketing messages through new marketing media and present new product offerings.

And above all, marketers need to position their luxury goods and services as a value proposition for the customers.

Sometimes that may mean stepping outside their traditional comfort zone in order to yield results.

For example, the renaming and rebranding of PPR to Kering is a most dramatic change intended to bring a new marketing message to its core customers and reach out to new ones.

Along with the new corporate name, the company introduced a new owl logo and a new tagline, "Empowering Imagination." It is a step to transform the company from primarily a financial holding institution to a vibrant collection of luxury brands led by Gucci and Saint Laurent.

As Louise Beveridge, Kering's senior vice president of communications said, "We take something immaterial – imagination – which is absolutely fundamental to the luxury business, and turn it into something tangible."

Where do luxury marketers need to improve their strategy going forward?

One of the obvious challenges facing luxury marketers ahead is the emergence of a new-generation customer with unique desires and expectations totally distinct from that of previous generations.

One brand that is squarely facing this generational challenge is Lincoln Motor Company.

Young affluents, or consumers under 45 years of age earning high incomes, are one of the most promising new market segments as they have a heady appetite for luxury, but they do not want to buy their parent's or grandparent's luxury brands. They want their own.

Ford Motor Company's rebranding effort for Lincoln is targeting this group with its Lincoln Phoenix commercial where their grandfather's Lincoln Town Car is magically transformed into the new MKZ model.

And given that the new MKZ is the only car model equipped with a true state-of-the-art THX 2 audio system developed

at George Lukas' Skywalker Ranch, the brand corners the audiophile market.

Last but not least, Lincoln is now the official sponsor of AMC network's Mad Men, both generationally-appropriate and a sophisticated, luxury-worthy television show.

What best practices should luxury marketers follow this year?

Luxury marketers must keep reinventing their brands for this new time and today's connected customers.

They need to understand their customers, what values they are looking for, deliver on those values and understand where their customers are most receptive to new marketing messages.

For example, Ralph Lauren Corp. took its message to a much wider audience with an innovative twist when it chose to sponsor PBS' popular Masterpiece Classic, including the popular TV show Downton Abbey.

The alignment of the Ralph Lauren brand and the non-commercial PBS network is a match made in heaven. It provides the brand a canvas to present long-form, image-building stories alongside TV programming that is second to none.

"All the focus on technology tends to cause managers to overlook the plain, old-fashioned practices and values that will yield results"

How are these best practices changing to keep up with new technologies?

It seems like everybody is jumping on the technology bandwagon, looking for the next big thing in online shopping, social media, blogs and the rest. But all the focus on technology tends to cause managers to overlook the plain, old-fashioned practices and values that will yield results.

Like old-fashioned direct mail, the right package with the right offer to the right list can still generate sales and profits. Or having a real person with people skills answer the company's main line and help desk.

The trend towards made-in-America is partly a demand for back-to-basics, good-old American quality.

Customers will pay more for quality and personal attention, which goes hand-in-hand with luxury marketing.

What consumer behavior do you think we will see this holiday season and how can luxury marketers prepare?

I continue to see a restrained affluent customer who will need extra encouragement to shop, spend and indulge.

The core customers of luxury goods brands are looking to maximize their investment when buying branded goods, and too many luxury brands today are not measuring up to their customers' demand for true, lasting value.

It just is not enough anymore to have a storied brand name like Louis Vuitton. Luxury brands have to deliver important values to their affluent customers who have the means to purchase across a wide range of choices.

Luxury marketers must realize that while their customers may have plenty of cash to spend, they are not about to pay high prices for goods that do not measure up to their exacting standards for quality, workmanship, materials and design.

They especially want goods that speak their personal-style language.

Too many luxury brands, like Louis Vuitton, have gone off-point with these

affluent customers who perceive too-popular luxury brands as just not sophisticated enough anymore.

Now Louis Vuitton is challenged to dial back their low-end, canvas logo-bag business and reposition their high-end leather offerings.

This may be easier said than done when new brands, like Michael Kors, offer contemporary design at more reasonable prices.

This may well signal the new normal in the luxury market and Louis Vuitton is not alone in this struggle.

Unity Marketing's year-end Luxury Report 2013 found that luxury shoppers are more often trading down to less premium brands and shopping more strategically to find bargains and to spend less overall.

Luxury consumers today find that many high-end brands are not measuring up any longer to their exacting standards.

That being the case, they can find acceptable substitutes that meet their needs fairly readily.

Sometimes those substitutes are less expensive or less well-known high-end brands. ■



Louis Vuitton handbag campaign

Why luxury brands need two-fold mobile strategy

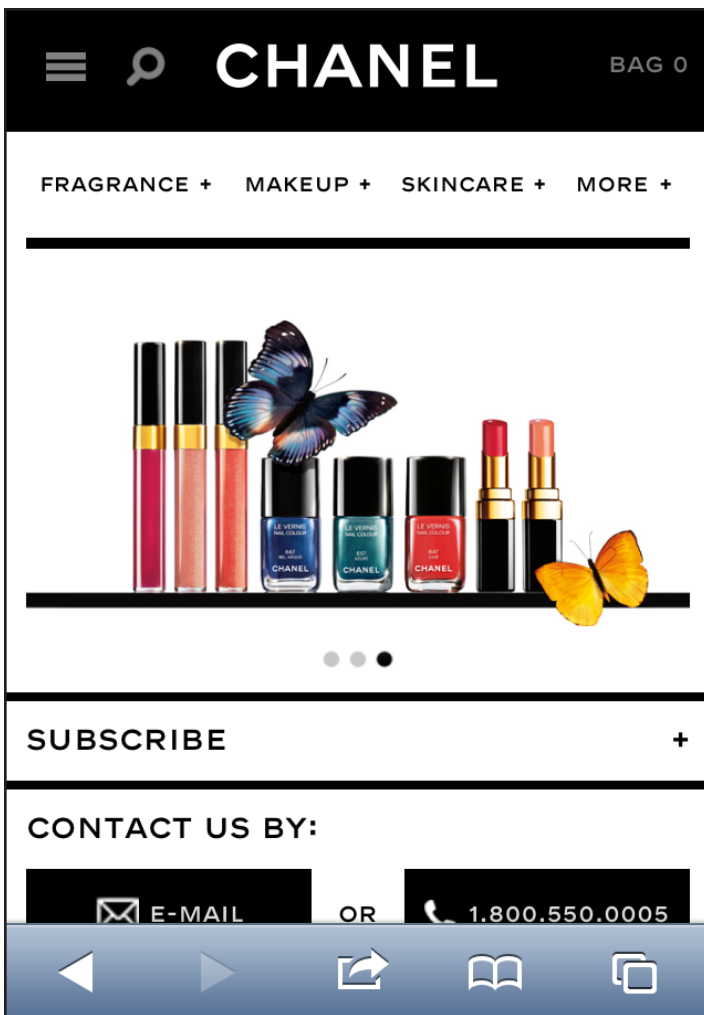
By Melody Adhami, president and chief operating officer of Plastic Mobile

In the mobile space, you will find two distinct camps.

In one corner there is the reigning champion native application, with sleek features and custom user experiences. In the other corner is the young phenom: HTML5 mobile Web, with its flexibility, accessibility and adaptability.

Most people you talk to will tell you to put your money on one side or the other. But betting on a winner in this round might be a mistake.

Instead, consider hedging your bets on both technologies.



Chanel's new mobile site

Best and worst of both worlds

Both apps and mobile Web have upsides and downsides; assets and drawbacks.

For instance, apps can simply do some things mobile Web cannot. Apps allow you to maximize the use of some of your smartphone's best features such as the accelerometer, camera or GPS.

Apps create a feature-rich, enjoyable user experience that people like spending time on and come back to.

In fact, nearly four minutes are spent in-app for every minute spent on the mobile Web.

Alas, apps are not perfect. Device fragmentation means an app needs to be created for each individual platform: iOS, Android, Windows, BlackBerry and down the road perhaps even Amazon, Firefox and Facebook.

Mobile Web, however, is accessible to all devices.

But that is not the biggest barrier to apps.

Searchability presents a considerable hindrance for the app. It is hard to find apps, particularly if you are not looking for something very specific. Users just do not go onto the App Store to browse.

Search, however, is the most popular activity on mobile Web. Research shows that mobile Web is a place of discovery and channel users are exploring to find brand information.

Mobile Web also allows you to reach more users.



Seventy-three percent of mobile device owners used their tablet or smartphone to access the mobile Web compared to the 69 percent who use apps.

Subsequently, while mobile Web is where users are going to learn more, apps are the undefeated champion of engagement.

Think of it as though mobile Web is the front porch and apps are the living room: one attracts the attention, but the latter is where you entertain.

Chain reaction

Not even a brand with the reach and power of Facebook could afford to neglect taking advantage of both platforms.

Facebook CEO Mark Zuckerberg stated, "Betting completely on HTML5 is one of the, if not, the biggest mistake we've made."

This is true across industries. In the luxury market, Ferrari invested heavily in mobile apps, partnering with Gameloft to produce a popular and highly rated racing game.

But its mobile Web site is simply a re-skin of its desktop site. It is hard to read and navigate on a tablet and nearly impossible on a smartphone.

The brand engages, but the minute you want to discover more information, you are turned away in frustration.

Burberry, on the other hand, has the opposite problem. The brand boasts a beautiful mobile Web site that is particularly functional on tablets, but it has no app.

As rich as their mobile Web experience is, optimized separately for tablets and smartphones, it does not have the feature functionality to offer users the opportunity to see their purchase history, save items in their cart, redeem or connect via in-app messaging or SMS.

A mobile site cannot retain or draw back consumers as effectively as a dedicated native app would.

As the contenders exchange blows in the center ring, it is clear that HTML5 is a worthy opponent and a heavy hitter.



Ferrari GT: Evolution app

However, its youth and inexperience suggest that it has much to learn.

So as it stands today, apps still reign supreme in the mobile space thanks to their ability to offer expanded features and increased engagement. ■

Best-practice tips

- Apps present a feature-rich user experience
- Mobile Web lets a larger consumer pool learn about your brand
- Apps are more effective for luxury brands to engage with their target audience

High-net-worth consumers are more informed than ever, but less loyal

A Q&A with Affluent Insights' Chris Ramey

Luxury marketers must deliver product quality and a compelling brand experience to come out ahead despite lingering economic concerns among wealthy consumers in the United States.

Though the U.S. economy and success of the luxury sector in the market have been steadily improving, sensitivity to unemployment and an aging population is slowing luxury consumption this year. Luxury marketers must turn to China to gain sales and operate a flawless ecommerce channel to not lose sales to competitors.

"The luxury segment will eventually learn what the mass market already knows – the Internet is an effective channel of commerce," said Chris Ramey, president of Affluent Insights, Miami, FL. "Absence manifests irrelevance."

In this Q&A, Mr. Ramey discusses the demands of today's luxury buyers, the importance of the Internet in meeting these demands and which groups of high-net-worth individuals to target. Here is the dialogue:

How has the luxury buyer changed over the past year?

There is a bifurcation of the U.S. market: The high-net-worth luxury buyer versus the aspirational luxury buyer.

The former has not changed and remains active, the latter is emerging from a deep sleep.

Regardless, they are both more informed, more likely to use technology, more likely to be time constrained and

"Quality, along with luxury and service, are overused and irrelevant terms today. But the core of what they represent remains"

more independent. They are also less loyal.

High-net-worth individuals are more likely to demand higher quality levels and with an ever-increasing desire to be discrete.



On a more global basis, the European market is soft. And the Chinese luxury buyer will likely drive the luxury industry for the foreseeable picture.

How should luxury marketers adapt to this change?

Each market and each niche requires unique strategies. Your messaging must resonate with your targeted prospects.

You need to be in China.

There are opportunities in some categories to create more unique and higher quality products.

Quality, along with luxury and service, are overused and irrelevant terms today. But the core of what they represent remains.

Plus, there is also another substantial U.S. market to be tapped – affluent consumers who do not buy luxury products.

What outside factors are affecting luxury marketers, their businesses and their best practices?

The economy and stock market of course. There is still sensitivity toward unemployment.

Consumption will slow in the U.S. as result of the aging population. A very large percent of the affluent are baby

boomers and they are getting older.

In 2007, we used to say 60 was the new 45. Now, that same client is 66 and acting their age.

The continuing emergence of China is going to affect luxury brands. Follow the money.

The opportunity to leverage the Internet will continue.

The juxtaposition of building relationships on a one-to-one basis, while using the Internet to spread their brand gospel, is a challenge every luxury marketer must address.

How should luxury marketers improve their efforts going forward?

Surprise and delight your clients. Provide experiences that cannot be bought.

Find ways to support what they believe in. Be wherever they may be.

Partner with kindred-spirit brands to meet prospects. Think big and execute immaculately.

What demographic of luxury consumers do you think is being ignored, if any?

The shift from baby boomers to millennials is gaining

strength, perhaps faster than the transfer of wealth.

Every brand has a target customer as well as a budget. It would probably be unfair to suggest that any demographic is routinely ignored. Successful brands fill voids.

How can luxury marketers gain sales from new consumer segments going forward?

The luxury segment will eventually learn what the mass market already knows – the Internet is an effective channel of commerce. Absence manifests irrelevance.

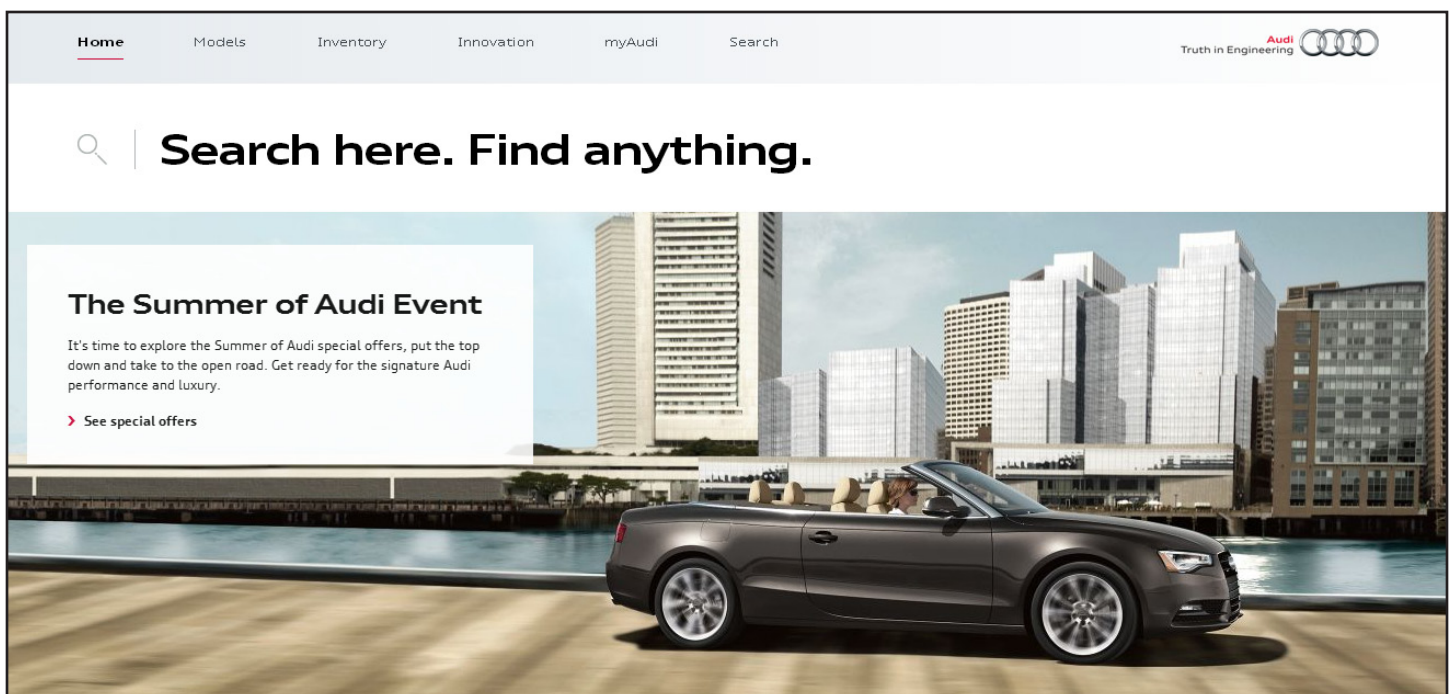
What can luxury marketers expect for the holiday season?

Consumer confidence is up one month and down the next. We will not have a breakout season until we experience some stability and broad optimism.

The season will be similar to last holiday season with substantial growth in ecommerce and bricks-and-mortar will eke out low, single-digit increases.

But broad industry projections do not speak for any given brand. There will be creative merchants who earn double digit increases.

The opportunity to create something special and distinction remains. ■



Audi's new Web site

Obstacle to opportunity: Showrooming and the luxury brand

By Chris Cobb, creative director at SapientNitro

When we hear the word showrooming, it is often mentioned in the context of mass retailers such as Walmart and Best Buy.

These chains have been the subject of numerous case studies, but the increasingly popular practice has permeated brick-and-mortar stores at every price point, including the luxury space.

Today's consumers are always-on, connected and more informed than ever. They are relying on their mobile devices at the point of purchase to gather details about products, discover deals and get recommendations from their social networks.

They are digitally savvy and very aware of the resources that can allow them to save time and money.

So what does this mean for luxury brands? What steps should be taken to keep the bricks-and-mortar experience engaging, and help the consumer contemplating a limited-edition Hermès handbag make their way to the checkout line?

More importantly, how can high-end retailers tailor their strategies to adapt to the trends?

"Every new platform that surfaces has an impact on the purchase path, particularly for higher-consideration goods with a hefty price tag"

Survey the evolving landscape

According to a shopping report conducted by SapientNitro

and Gfk Roper, 51 percent of respondents admitted to showrooming.

Though a majority of retailers see this as an obstacle, it presents a unique opportunity to blend physical and digital offerings to amplify sales.

Every new platform that surfaces has an impact on the purchase path, particularly for higher-consideration goods with a hefty price tag.

Whether stores are using geotagging to offer flash sales, bringing interactive product kiosks on-site or placing high-tech mirrors into fitting rooms, there are a myriad of ways to combat showrooming.

The survey also revealed that 70 percent of people want to improve the in-store experience with shopping perks such as free Wi-Fi.

Another area for luxury marketers to keep on the radar is the rise in mobile payments.

Many consumers have indicated that they would like to see more retailers offer mobile payment options such as Square, so the industry must align quickly.

Navigate the challenges

Showrooming and other emerging consumer trends have placed new operational, technological and messaging challenges on luxury brands.

As a result, attempts to combat these trends will fall short unless this kind of disruption is embraced.



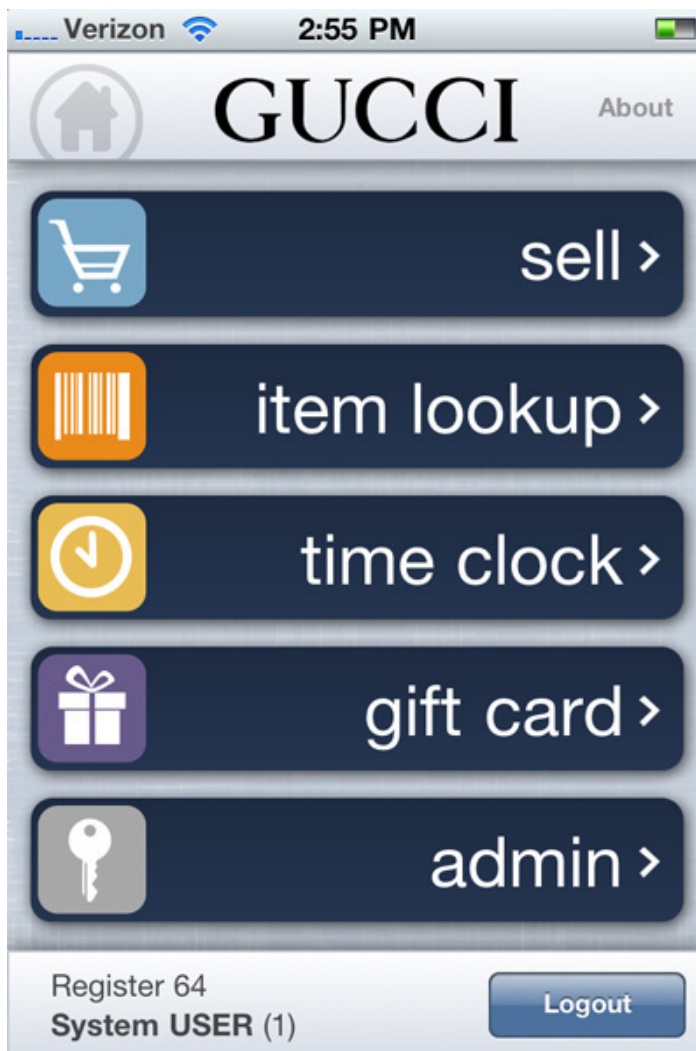
Showrooming trends will continue to evolve as more people have access to Web-enabled smartphones, as distribution is scaled to meet online purchasing demand and as competition between wholesalers increases.

Since we are constantly being introduced to new digital platforms, the marketing process has become fragmented, but it is still fundamentally connected in nature.

Through trial and error, luxury brands will determine which elements will appeal to the needs of their specific customer.

Service and storytelling

Luxury brands will thrive by offering a superior level of service and clienteling. This is an area that has built the reputation of many notable brands.



Gucci's mobile point-of-sale app

"Since we are constantly being introduced to new digital platforms, the marketing process has become fragmented, but it is still fundamentally connected in nature"

Companies can embrace the concierge approach by offering exclusive benefits to members to boost loyalty.

People want the care and attention to detail when they splurge.

In addition, heritage brands such as Ralph Lauren or Burberry can leverage the lifestyle aspect of the brand through storytelling.

By truly shaping the store to reflect the brand's overarching theme, customers will buy into the experience and leave feeling included and engaged.

To truly deliver on brand promise, luxury brands should look to consumer behavior to find opportunities to elevate the level of service that consumers in this category have come to appreciate. ■

Best-practice tips

- Luxury marketers - much like mainstream marketers - must combat showrooming by adapting in-store technologies such as mobile payments
- Trial and error works to determine which in-store technologies appeal to a luxury brand's customer base
- Anti-showrooming efforts should take the concierge approach and offer exclusive benefits

Focus is what makes luxury brands successful

A Q&A with Ries & Ries' Al Ries

Luxury brands' success derives from having a strong focus that is clearly expressed through marketing efforts.

Brands should establish a foundation and focus before undertaking any marketing plans. Having a clear focus is one of the most important aspects of a brand since it dictates what the marketer's message will be to its consumers.

"Before a brand can run a productive marketing program, it needs to have a strong focus," said Al Ries, founder and chairman of Ries & Ries, a Roswell, GA-based marketing strategy consultancy.

"Focus is what makes a company successful today," he said. "Otherwise, what will the message be that the marketer wants to run?"

In this Q&A, Mr. Ries discusses the current branding issues facing luxury marketers and what they should do to be successful going forward. Here is the dialogue:

What can brands do to distinguish themselves in the luxury sector?

There are two kinds of luxury brands: Well-known brands such as Ralph Lauren, Chanel, Gucci, Louis Vuitton and many others, and there are relatively unknown brands.

A well-known brand should find out what consumers like about the brand, or in other words, what position the brand owns in the mind of consumers. Then, that brand should run a marketing program that reinforces this position in the mind.

Chanel, for example, is a brand that appeals to older women for its classic look. That is not what most well-known brands do.

What they tend to do is to try to expand the brand to reach more consumers.

Chanel, for example, might be thinking, "How do we reach

younger women?"

That seldom works.

What it does is confuse the brand in the minds of potential consumers.

A relatively unknown brand has a different problem.

The brand needs to find something unique or different that can help build the brand – for example, the zig-zag design that built the Missoni brand.



Missoni fall 2013

Which luxury marketing trends are effective to distinguish a brand?

Like other industries, there are many trends in the luxury goods field.

At the high end, consumers are willing to pay fairly large amounts for brands that have established strong positions.

These brands need to maintain their high-priced positions.

If they try to move downscale, they could seriously damage their brands.

At the low end, there is still a market for luxury brands.

Some low-end consumers are willing to spend some of their limited income for brands that have a special appeal.

What branding efforts should be rethought to keep up with affluent consumers and new technologies?

From a marketing point of view, the major advertising medium for a luxury brand is print, both newspapers and magazines.

But the effectiveness of print advertising has been slowly declining.

Luxury goods makers should be considering what they need to do to next to maintain marketing pressure for their brands.

Social media is not the total answer either. Social media can be effective, but it needs a driver.

A luxury-goods maker needs to do something to generate social media chatter.

That is why many companies are sponsoring special events in order to drive both publicity and social media chatter.

In what areas do marketers need to improve in their branding efforts?

Focus. What a focus can accomplish is astounding.

BMW was a very small automobile brand in 1974 – the 11th largest-selling European import.

“Most brands today, including most luxury brands, do not have a communication problem. They have a focus problem”

The next year, BMW ran a marketing program based on driving. “The ultimate driving machine” was the slogan, an idea the company still is using.

Today, BMW is one of the world's largest-selling luxury vehicle brands, outselling many other automakers.

Focus is what makes a company successful today.

Which area in luxury marketing do you think is the weakest today?

The hot button among marketing people today is social media.

Every company seems to be spending an enormous amount of time and money trying to figure out how to use Facebook, Twitter, Instagram, Pinterest and others.

Is social media important? Sure, but you cannot win a marketing battle with media alone.

You need a coherent strategy. What is missing in most marketing programs is strategy.

But that is not the problem. If you make a wide range of products under one name, what can the brand possibly stand for?

In other words, most brands today, including most luxury brands, do not have a communication problem. They have a focus problem.

What is your prediction for upcoming trends in luxury marketing this year?

More and more social media. ■

Social, mobile consumers are disrupting digital marketing and ecommerce

By Marko Z. Muellner, vice president of marketing at ShopIgniter

There is nothing with more momentum in digital marketing and commerce than social and mobile.

Consumer adoption continues to grow at astronomical rates globally, with more than one billion smartphones in use, according to Strategy Analytics and 67 percent of on-line adults active in social, according to Pew.

The amount of time spent within each – not to mention combined – also continues to rise and the leaders enabling these changes, such as Apple, Google and Facebook, are among the richest companies on the planet. They are not going anywhere soon.

Yet, despite the growing numbers, reaching, engaging and converting social and mobile consumers is becoming more difficult.

We have learned that consumers are not in social to shop and they are not on your Web site to be social.

So, while providing social proof on the corporate Web site via reviews and social conversation streams can effectively drive incremental sales and including "Like," tweet and "Pin" buttons can drive incremental discovery, this cannot be your sole strategy.

To truly reach, engage and convert social and mobile consumers, marketers must reach directly into consumers' social streams.

Social streams are getting richer

While social streams are becoming richer, there is still a lot of work ahead for marketers.

Posting a photo, video or poll will rarely get a significant amount of consumers on the path to purchase.

Marketers need new content and posting strategies with the goals to engage, drive product exploration, generate sharing and opt-in.

To support these goals, marketers must become experts in using paid media across Facebook and Twitter to accelerate and broaden reach and effectiveness.

While core content marketing principals do not change within social, the specific tactics of social media marketing are unique and require new tools and expertise.

Commerce strategies must change

Visitors come to your Web site when they are actively browsing or shopping and for the foreseeable future, corporate Web sites will remain the hub for the vast majority of online sales.

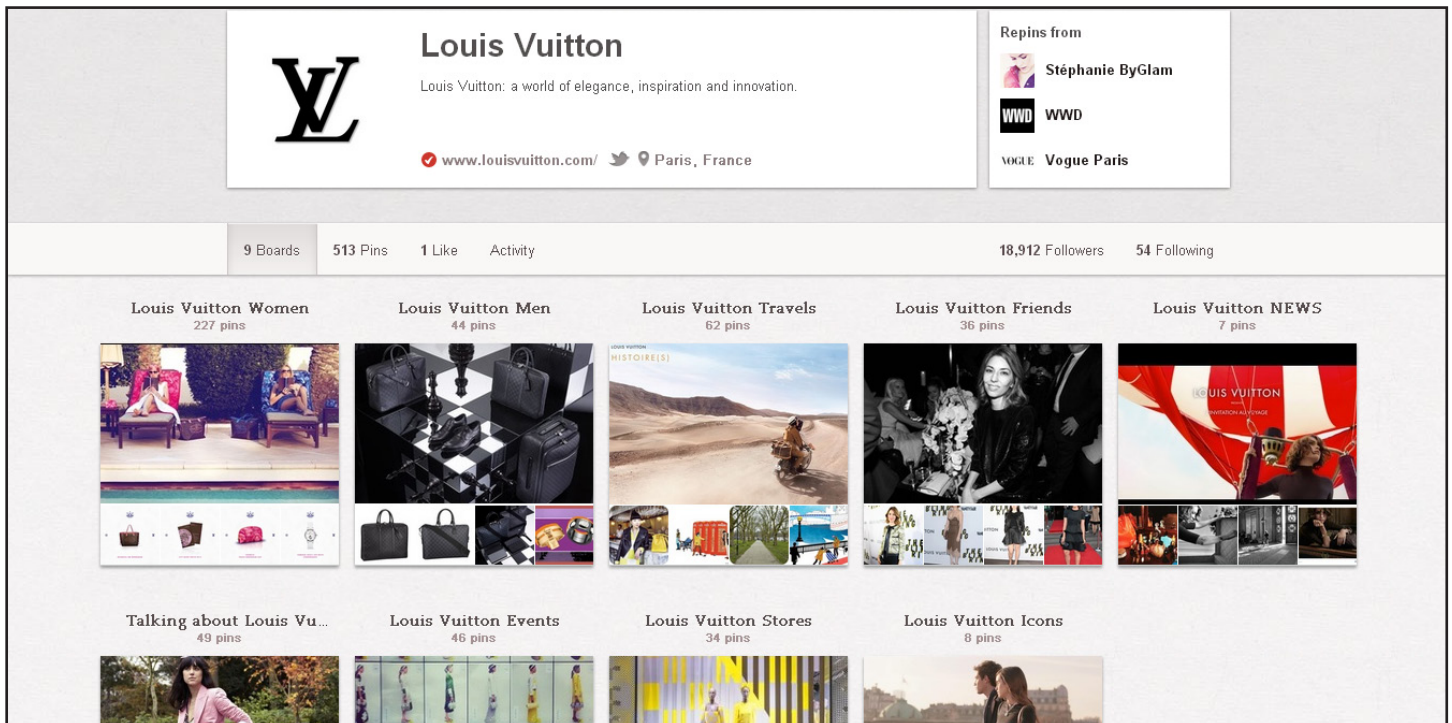
As a result, continuing to improve traffic, experiences and conversion rates here is essential.

But when reaching consumers in their social and mobile contexts, marketing strategies must change to meet their expectations.

For example:

- Lead with content. Video and photography attract attention, so tell a story and invite exploration. Customer and influencer stories in "Likes," comments, shares, tweets, "Pins" and reviews provide urgency and proof.
- Only promote products with stories and social proof.
- Wrap social and mobile product promotions in a more compelling package. Packages such as early access, exclusive fan-only products, limited-edition or limited-time all work well.





Louis Vuitton's Pinterest page

Connect the dots

Platforms such as Facebook, Twitter and even Pinterest are places where brands can establish and evolve a presence, build, reach and engage these communities, and enable fans to share on their own networks.

The interplay of owned content and experiences, earned impressions through posts and peer-to-peer sharing and the addition of bought media to increase reach and grow communities is important and should not be overlooked.

For example:

- Cross-pollinate promotions between social networks, mobile and the ecommerce site.
- Link to your brand's Web site to amplify rich-media promotions of your products, even more so by giving social fans special package offers.

While digital marketing and ecommerce are always evolving, this phase feels particularly volatile.

With so much innovation and change centralized under a small set of giant players and so much diversity in consumer Internet trends, we will see extremely dynamic conditions for years to come.

Luxury marketers and merchandisers are wise to keep close attention on publications like *Luxury Daily* so they can stay tuned-in.

Be nimble and experimental with new technology, but always be ready to scale effort and investment when consumers signal readiness.

And while things are evolving rapidly, marketers should follow their customers' lead while keeping firm roots in the fundamentals of marketing and digital – acquire, engage, convert and retain – as viewed through the lens of your consumer insights and brand promise. ■

Best-practice tips

- Marketing strategies must change to meet luxury consumers' expectations on social and mobile
- Content and social posting strategies should follow set goals
- Marketers should intertwine digital experiences on social, mobile and ecommerce site for results across the board

Luxury marketers lack full omnichannel presence

A Q&A with iProspect's Andrea Wilson

Many luxury marketers today are not filling in the gaps on affluent consumers' journey from one platform to the next, which leaves customers unsatisfied.

Campaigns should easily and logically flow from one platform to another with the same message. Luxury marketers should improve their entire omnichannel presence so that consumers are not turned-off and look to another brand for a better experience.

"I currently see a big hole when it comes to ensuring a full omnichannel presence," said Andrea Wilson, Fort Worth, TX-based director of digital strategy and luxury practice lead at iProspect.

"In many instances, when following an entire consumer journey, there are opportunities for the consumer to get stuck," she said. "In a perfect world, the consumer would go seamlessly from one platform to the next, seeing relevant messages in each place with a consistent voice, look and message across all platforms.

"I hope that this year brand marketers will focus deeply on the convenience and usage of their consumers, ensuring there are no dead ends and the consumer is communicated to through the entire journey."

In this Q&A, Ms. Wilson discusses successful and unsuccessful digital efforts and how luxury marketers can keep up with their consumers in the digital realm. Here is the dialogue:

What are luxury marketers doing on digital that distinguishes them from mainstream brands?

I am definitely seeing a lot more visual storytelling from luxury brands, from short-film videos to Instagram postings.

As luxury brands have a unique story to tell and product to feature, it makes sense that we are seeing this.

Many advertisers, including luxury brands, are embracing digital opportunities, from interactive ads on tablet magazines to large, timely takeovers on well-respected publisher sites.



We are also continuing to see a growing presence in the search engines, including prominent ownership of brand and trademark terms, large market share in key non-brand category terms and visual listings in product listings and comparison shopping engines.

General market and luxury brands alike are realizing the opportunity to speak to their consumer where they are most frequently and ensure that their brand is seen as the authority and most relevant advertiser in the digital space.

What digital marketing trends are working well for luxury brands?

Search continues, year after year, to be a key driving force for marketers. We are also seeing continued success with display advertising such as remessaging and retargeting.

We see greater success when the ads are most relevant, especially through personalized strategies such as dynamic retargeting, when specific products or categories are featured in the ad due to the individual user viewing those category or product pages.

These tactics have been more widely embraced by luxury brands than they have in the past.

What digital efforts need to be revamped to keep up with changing technology?

The biggest effort that can be amplified in order to keep

with changing technology is mobile participation.

It is clear that consumers, especially affluent consumers, depend on their smartphones more and more for research and transactions.

If luxury brands do not participate in this communication format, they will become irrelevant to those who use their devices for everything.

In addition to mobile participation, another effort that should be looked at in a more aggressive light is the ease and convenience of the brand Web site and its relevant presence across all devices.

If a brand does not ensure the consumer experience is convenient, appropriate and positive, consumers will become frustrated and lose affinity for the brand.

This means functioning and quick-loading landing pages, current store hours and locations; product availability; links to content and ecommerce in one place; and high rankings in search-engine queries.

What digital tactic needs the most improvement from luxury marketers?

Luxury brands are starting to pay more attention to tablets, which is great since mobile is so important across the globe.

But these brands are only beginning to scratch the surface of what is possible.

I fully expect and hope luxury brands will take aggressive steps forward in 2013 to embrace the mobile platform and their consumers' growing presence and dependability in that space.

What digital campaigns stuck out to you so far this year?

This year, I am most excited about video. It is such a great opportunity for luxury brands to tell their story in an beautiful and compelling way.

Luxury brands are starting to experiment more aggressively in the platform.



Prada's Candy video campaign

One of my favorite campaigns was the collection of Chanel's short films, viewable on InsideChanel.com and its YouTube channel.

I also enjoyed Prada's collection of film pieces featuring Hollywood-commended actors and directors, for example, the "A Therapy" and "Candy" episodes.

It is really exciting to see fashion brands show the lifestyle and beauty of their products through video.

Are there any trends that you think marketers will embrace this year in the digital realm?

Besides video and mobile executions, I expect to see more luxury brands align their campaigns with publisher content.

I also expect luxury brands to include large and interactive ad units in their campaigns, experimenting with new Interactive Advertising Bureau ad units and customized publisher opportunities. ■

Elevated luxury storytelling in a social media space

By Karen Robinovitz, cofounder and chief creative officer of Digital Brand Architects

Luxury products have always been emblems of beautifully crafted goods catering to the elite.

The luster is in its rarity – the caché of having something few could possess. In its purist form, luxury and marketing do not go hand-in-hand.

But today's world is a different story.

Brands are publishers and consumers are media. Social media has changed everything and its existence has challenged the world of luxury, which traditionally scoffed at the notion of being even remotely accessible.

Digital world

We are living in a digital time where everyone can now have a piece of the luxury experience, be it the fragrance at a beauty counter, the design collaboration at Target or even just the sharing of a photo of a \$50,000 bag on the arm of a Russian heiress who has been captured by a street-style blogger.

So how do luxury brands approach the new world of marketing and advertising without losing their DNA of exclusivity? Carefully, strategically and intelligently.

If the luxury group ignores this online space, the thought is that they, too, will be ignored.

The buying power – but more importantly, the sphere of influence – is no longer just in the hands of the royal and affluent.

A 15-year-old girl on YouTube can talk about a Louis Vuitton wallet and drive her followers to save their baby-sitting money just to buy the same one, selling out the wallet in days.

As novel as it is for a brand to appeal to just a few, that elevated way of thinking cannot sustain itself long-term.

In the case of top designer brands, the perfect mix includes innovative technology, influencer collaborations and experiential offerings across the social media space as well as offline.

The key for the luxury set is being the first to tell the tale with a voice that is decidedly organic and their own.

Calling all influencers

Early adoption has become a must for luxury brands such as Burberry, which continues to embrace new technology and build buzz based on its innovative use of fresh tools and platforms at retail and online.

From shoppable videos to the use of Google Glass



Harrods' shoppable video

during runway shows, the alliance between invention and a luxury aesthetic has never been stronger.

The same holds true for influencer collaborations both within the industry and across the digital space.

Luxury fashion brands understand the value of tastemakers and the audiences they offer up via their own social media circles.

By partnering with online influencers who have a like-minded following on par with a luxury brand – think Garance Doré, Miraslova Duma, Jamie Beck – brands such as Christian Dior, Tiffany & Co. and Roland Mouret have harnessed their power to breathe new life into the fashion conversation.

Whether positioned as the campaign face or the talent behind the camera, influencers not only lend authentic style credibility, they also come with an audience and a distinct and measurable return on investment that has been proven to foster further engagement with new fans and followers.

Another consideration is the idea of experiential offerings through the use of interstitial activations, both in-store and through events.

Luxury consumers are already keyed into the notion of digital surfing and mobile shopping.

Extending that concept to a bricks-and-mortar setting is an obvious next step that easily aligns within the framework of a savvy luxury brand.

This has been especially effective for social media powerhouses such as Michael Kors, whose holiday partnership with Macy's resulted in Kors Concierge, a one-of-a-kind interactive shopping experience with LED screens.

Another case in point: Stella McCartney's collaboration with Selfridges where a motion-reactive window display drew attention and engagement to the designer's latest fragrance launch.

Obviously these points are entirely dependent on a company's financials and its willingness



Ferragamo's L'Icona influencer campaign

to invest in the story they are telling and selling.

For some, the heritage of the product is more important than the social media and marketing element at stake.

For others, the heritage is the innovation and has come to encompass the luxury experience itself.

Either way, the digital landscape is one luxury cannot avoid or their once-subtle voice will cease to be heard. ■

Best-practice tips

- Luxury marketers must embrace digital for long-term growth
- Brands can maintain their status on digital through innovative technology, influencer collaborations and experiential campaigns
- Digital success depends on willingness to invest in the brand story

Luxury brands must embrace shifts in digital technology

A Q&A with Morpheus Media's Shenan Reed

Luxury brands should embrace rich-media content to further immerse consumers into their campaigns.

Tools such as videos, images and Web sites can help create an engaging digital campaign. Luxury marketers should adapt to the future of digital and not only rely on traditional marketing channels to appeal to today's consumers.

"The successful brands are embracing the shift toward rich content," said Shenan Reed, chief media officer of Morpheus Media.

"These brands are utilizing things such as video, high-resolution images and custom content to tell their stories and connect with consumers on a higher level," she said.

In this Q&A, Ms. Reed discusses what digital marketers should do to keep up with the changing habits of luxury consumers. Here is the dialogue:

What are luxury marketers doing in digital that distinguishes them from their mainstream counterparts?

Luxury marketers really excel in telling their story through amazing visuals. Overall, I believe they are doing a better job of taking advantage of high-impact display media when compared to mass brands.

Luxury brands are also great at creating a level of desirability.

Mass brands have a tendency to want to be in your face all the time. It is all an impression game for them.

Mass brands buy impressions, while luxury brands make impressions.

What tools should marketers embrace to make the most out of digital marketing?

Marketers should be stressing the importance of analytics to their teams and clients. Not only is it giving us insight into consumer preferences and trends, it is allowing us to be efficient at our jobs while minimizing wasted spending.

As marketers, we understand the importance of telling a story, but what we need to do better is follow the data and adapt to what it is telling us.



What digital efforts need to be revamped to keep up with changing technology and consumers' habits?

I believe that luxury brands need to adapt their organizational structure to move with digital trends, constantly changing technology and shifting consumer behavioral patterns.

"Mass brands buy impressions, while luxury brands make impressions"

Luxury marketers need to be able to adjust more quickly and have ongoing stories as opposed to a few splashy campaigns.

Any trends that you think marketers will embrace this year in the digital realm?

I think marketers will start to re-focus on mobile. There has been a lot of talk about this in the last few years, but in 2013 there seems to be an active push to really get initiatives live.

Also, I think we are starting to see more of an evergreen mindset when it comes to marketing plans as opposed to planning things out on a campaign-by-campaign basis. ■

Why smart luxury brands embrace bloggers

By Elspeth Ross, strategist at Siegel + Gale

When spending time in downtown Manhattan, it is hard to pass by without feeling like you are surrounded by fashion bloggers.

Kaleidoscopic or muted, extravagant or minimal, richer or poorer, they all strike their poses.

“Smart brands have not given up on exclusivity and authenticity. They have simply helped redraw the lines”

But what is now considered normal on Bleecker Street or Broadway actually marks a generational shift that increasingly impacts luxury goods marketers.

There is no doubt that social channels have changed the way we consume luxury and some believe not always for the better.

Online accessibility has been cited as degrading luxury's exclusivity, while savvy bloggers showcasing their mix of copycat, street and high-end fashion supposedly erode the authenticity of luxury products.

However, smart brands have not given up on exclusivity and authenticity. They have simply helped redraw the lines.

This new fashion pack, decked out in varying degrees of outrageousness, has the same access to designers, gifts and shows as the seasoned guard, although the bond they help create between consumer and brand is different from a traditional fashion journalist or even an advertiser.

The blogging elite

Fashion bloggers changed up the rules that govern what is

cool or not, and in doing so, reintroduced exclusivity into the system.

When I was a student intern at Vogue, it was clear that a fashion magazine's role was to give instruction and guidelines on what was in fashion at any moment in time. Editorials were often artistic,

but they were also flat, rigid and static.

Instead, bloggers convey principles and expression of style, the personification of an aesthetic and the brands that deliver it.

We do not just know what cool looks like. We also know which movies it sees, when it has got the flu and where it has brunch on Sundays.

Members of the blogging elite are always slightly cooler than the average consumer and that is when inspiration becomes aspiration and, in turn, exclusivity.

A top blogger might have this season's shoes before they are in-store, attend a runway show or be photographed with a famous designer.

The glitter dust of exclusivity that falls on them also falls on the brands they love, despite the fact you can purchase them within a few clicks.

Remaining authentic

The blogging phenomenon has reimagined authenticity.

At its most basic, authenticity references our innate preference for the real and not the copy, as evidenced in a





Boucheron is marking the 150th anniversary of its Quatre collection

2007 study by Bruce M. Hood and Paul Bloom.

In luxury, authenticity signals a second factor of quality: If it is authentic, then it must be made better than a knock-off.

Social media introduces a third aspect of authenticity: If the community has tried it, liked it and blogged about it, then it must also be better, in quality or otherwise.

Fashion journalists have no interest in commenting on whether those heels hurt like hell, whether that \$50 lipstick will last more than an hour or if they had an amusing mishap with a broken zipper at 3 a.m.

But not only do bloggers spill the beans about these things, they pride themselves on being honest - even if they do receive clothes, shoes and bags for free.

Additionally, they read the comments section and often reply to their audience's queries - how authentic is that?

These ideas play out against a younger generation that is changing its mind about what it values when it comes to luxury.

Younger consumers choose uniqueness over heritage, 24/7 access over traditional exclusivity and entertainment over just shopping, according to the 2012 Luxury Goods Worldwide Study by Bain & Co.

Smart brands such as Marc Jacobs, which named an ostrich bag after Filipino blogger Bryanboy, and Giorgio Armani, which showcased its new lipstick line with uber-beauty blog "Into the Gloss," have embraced social-media celebrities to navigate this change and keep their brands relevant. ■

Best-practice tips

- The bond that bloggers help make between a consumer and a brand is different from that between a consumer and a journalist or marketer
- Bloggers convey the principles of style, personification and exclusivity
- Bloggers help brands reach younger generations because they share the same consumer values